Exhibit F

Nuclear Phynance

Dynamic Turtle

Total Posts: 165
Joined: Sep 2006

Posted: 2008-12-12 10:17

http://www.forbes.com/markets/2008/12/11/madoff-ponzi-investment-markets-equity-cx_ra_1211markets46.html

Guessing I'd better start penning a **** Capital has no exposure to Madoff Investments LLC email....

DT

Dynamic Turtle

Total Posts: 165
Joined: Sep 2006

Posted: 2008-12-12 10:20

And Fix AM had a $400m managed account with them.

HAHAHAHAHAHAHAHAHAHAHAHAHAHAHAHAHA!!!!

I **love** the smell of napalm in the morning.

polysena

Total Posts: 1064
Joined: Nov 2007

Posted: 2008-12-12 10:53

I know two guys who based their FOF on Madoff... and recently that part was providing the "meager returns".. I wonder what they are to do know...their business is out or wha

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من از راه اومدم

SimJimons

Total Posts: 198
Joined: Aug 2007

Posted: 2008-12-12 12:30

Holy smoking f*****g cow! That's massive!!! I guess this means that Fairfield Sentry, the split-strike conversion (yeah, yeah) mega-fund, is gone?!

/Sim

Sounds great...keep me out!

kronon

Total Posts: 176
Joined: Nov 2007

Posted: 2008-12-12 12:44

...if the fund goes so do a load of taggers on. If proved its jaw-dropping. Another massive blow for the industry.

"GS is a buy at 150 - its, like, picking up Dolce & Gabbana on sale"

FDAXHunter
Founding Member

Total Posts: 8372
Joined: Mar 2004

Posted: 2008-12-12 13:41

This doesn't surprise me. I was always suspicious of the return stream of Fairfield Greenwich. It never seemed quite right for a "split strike conversion" strategy.

The Figs Protocol.

SimJimons

Posted: 2008-12-12 15:38

Yeah, it seemed sort of unbelievable that they could deliver 10%+ on $5 bln with a max draw-down of 0.63%, by fiddling around with some sort of bull spread.

One thing I would like to know is how "Ponzi" Madoff decided on the returns of the fund? I have received performance numbers for a couple of years and they show diminishing because of lower risk free rates (fair enough) and less opportunity due to small cap under performance (what?), or if it was the opposite. Why didn't he just set the autopilot on still a fraud?! But I guess to keep a ponzi scheme flying you need to fuel it in a believable way. In any case, the last performance number for Sentry was 5.48%...noooot!:-)

Total Posts: 198
Joined: Aug 2007

/Sim

Sounds great...keep me out!

KangaXX

Total Posts: 293
Joined: Mar 2005

Posted: 2008-12-12 16:23

CPPIIIIII! Anyone got the numbers/size of losses on back of this?

Bright, energetic people—usually quite young—have promised to perform miracles with "other people's money" since time immemorial.

thorns

Total Posts: 31
Joined: Mar 2008

Posted: 2008-12-12 16:31

It was suspicious 7,5yrs ago: http://nakedshorts.typepad.com/files/madoff.pdf

Rookie_Quant

Total Posts: 759
Joined: Jun 2004

Posted: 2008-12-12 16:48

for what it's worth, I still cant triangulate the $50Bn number, unless that was a cumulative "redistribution" to redeeming investors with new money. Everyone seems to "know s someone" that has seen trade-level data, and even after the fact, it passed a smell test.

The real question other than how far is the blast radius of the losses is administrator/custody/auditor, et al

"These metaphors and similes aint similar to them, not at all." -Eminem

AndyM

Total Posts: 2336
Joined: Mar 2004

Posted: 2008-12-12 17:01

The real question other than how far is the blast radius of the losses is administrator/custody/auditor, et al

Among the red flags, Vos said: Madoff's auditor, Friehling & Horowitz, operated from a 13-by-18-foot office in Rockland County, New York.

Bloomberg story

How long will they kill our profits, While we stand aside and look? Some say it's just a part of it, We've got to remark the book.

Rookie_Quant

Total Posts: 759
Joined: Jun 2004

Posted: 2008-12-12 17:27

Kass: Madoff Was Made Up

12/12/08 - 09:27 AM EST

While many are suggesting that the failed auto rescue plan is responsible for the dramatic overnight drop in the futures (down by nearly 5%), I believe that the alleged Madoff f more responsible for the dire overnight market decline.

If the Madoff story is correct, it is the single biggest financial story of the year. Indeed, it is bigger than **Enron** or **Tyco**, bigger than Boesky and far bigger than Bayou.

It attacks at the core of investor confidence, which has already crumbled and remains very fragile.

About three years ago, an investor of mine, who already was an investor with Madoff, came to me and asked my advice as to whether he should add to that investment. I reque his monthly brokerage statements. Now, I am very good with math, but after hours of analysis over a weekend, I could not understand how he generated his returns and sugge withdraw his capital. (The investor discarded my advice and decided to add materially to his investment.)

Piecing together information over the last 12 hours from several Madoff investors and acquaintances suggests that the following events *might* have transpired.

While the criminal complaints filed against Madoff estimated losses at $50 billion, the fraud likely was closer to the amount that was managed by his company at between $17 b billion. My friend, Charlie Gasparino, was on *CNBC* earlier this morning saying that the company employed leverage, but I doubt it was of the magnitude that would cause a $50 being said, these days, I guess you never know!

It is clear that Madoff's fraud paralleled Bayou as both firms fabricated investment returns. In the case of Bayou, that firm was apparently aided by an in-house accountant; in t was a very small, unknown account based in Monsey, N.Y. This was red flag No 1.

Similar to Bayou, Madoff's returns were not sensational but they were consistent. My sources indicated that he had only a few monthly losses over an extended period of time, quarter or down year, almost a statistical impossibility. The ability to deliver what appeared to be consistent investment performance attracted a large investor base to Madoff a provide little in the way of transparency to investors (individuals and institutions) who should have known better. In a May 2001 *MAR/Hedge* column, "Madoff Tops Charts; Skep Madoff said that he believes he deserves "some credibility as a trader for 40 years.... The strategy is the strategy, and the returns are the returns." He went on to say that "thos is something more to it and are seeking an answer beyond that are wasting their time." This was red flag No. 2.

Also similar to Bayou, Madoff's firm did not appear to charge investment management fees; his compensation was commission-based. In the same *MAR/Hedge* interview, Mado perfectly happy making the commissions." This was red flag No. 3.

In all likelihood, while posting consistent returns, Madoff (again, similar to Bayou) churned his accounts and earned high levels of commissions. At the same time the accounts v and consistent returns were reported, both firms likely lost huge amounts of money in an extremely active trading strategy, with commissions inuring to the firm. I suspect that dramatically increased this year, as his split-strike conversion strategy (similar to a classical buy/write strategy) backfired, providing little downside protection in the bear marke also said in the *MAR/Hedge* interview that this strategy works best in bull markets and that "we've really been in a bull market since '82, so this has been a good period to do th Years of phony investment performance had the effect of compounding the alleged fraud over several decades.

Unlike Bayou, however, Madoff self-cleared -- this was red flag No. 4. -- so the far larger fraud than Bayou was more easily kept secret.

Madoff refused to provide account transparency. This was red flag No. 5. According to several friends of his, if an investor questioned his oblique and undisclosed investment me threatened to return the funds.

Apparently, Madoff's minimum investment requirement dropped considerably this year coincident with the market decline. This was red flag No. 6.

The disclosures of the alleged fraud at both Bayou and Madoff were accelerated by redemption requests. Madoff's firm received about $7 billion in redemption requests. While h past to cover withdrawals, $7 billion was too large to cover.

Madoff's investors included captains of industry, corporations (some of which are publicly traded) that used Madoff almost as a high-yielding cash management account, endowr foundations and, importantly, many high-profile fund of funds.

It appears that at least $15 billion of wealth, much of which was concentrated in Southern Florida and New York City, has gone to money heaven. Real estate has been dealt a f the luxury residential markets as well as in the office market, where Madoff funds were likely used as debt collateral.

The disclosure of the possible fraud last night suggest to me that anyone on the fence regarding redemptions to the hedge fund industry over the next several months will likely requests for capital withdrawal, as confidence in the system and in investment managers has been irreparably impaired.

Madoff & Co. was also an important presence in market making, raising the specter of counterparty risks. I suspect that the exposure here is minimal as it appears that the mar investment management businesses operated separately as independent entities. Also, there have been no complaints about settlement problems with Madoff that I am aware that a large brokerage firm will gobble up Madoff's market making business by the end of the weekend.

It's a major blow in a market that is already fragile and in which confidence has been materially shattered.

With so many red flags raised, the Madoff fraud is another example of a derelict **SEC**. What is even more astonishing is that Madoff runs a broker/dealer through which the accc managed. Indeed, the *MAR/Hedge* column from seven and half years ago raised a number of obvious questions regarding the steadiness of Madoff's returns.

And, in the end, it appears that Madoff was made up!

Doug Kass writes daily for RealMoney Silver, *a premium bundle service from TheStreet.com. For a free trial to* RealMoney Silver *and exclusive access to Mr. Kass' daily trading c here.*

"These metaphors and similes aint similar to them, not at all." -Eminem

AndyM

Total Posts: 2336
Joined: Mar 2004

Posted: 2008-12-12 18:37

All smooth returns over long periods are fraudulent; only the scale of the fraud differs. Discuss.

How long will they kill our profits, While we stand aside and look? Some say it's just a part of it; We've got to remark the book.

dgtvr

Total Posts: 69
Joined: Dec 2007

Posted: 2008-12-12 20:42

couple of links:

Bernie Comes Out of the Closet

I knew Bernie was cheating. That's why I invested with him.

sharpend

Total Posts: 279
Joined: Aug 2007

Posted: 2008-12-12 20:54

I too looked at a flier for their "split strike convergence" in 2000?

(I vividly remember looking them up and seeing the market makers used the silicon graphics wide monitors which I once lusted after)

1) The flier was unbelievably ugly
2) I inferred the amount of options they claimed to trade and it seemed a little too high for the time (things just didnt add up)
3) In conversation with the RBC guys (now Guggenheim) they agreed he was a fraud.

I think it was <15billion at the time

FDAXHunter
Founding Member

Total Posts: 8372
Joined: Mar 2004

Posted: 2008-12-12 22:49

Where does the 50 billion USD number come from? That seems far, far, far (!) too large. People keep throwing that number around, but I suspect it's more like someone said "fi turned into "fifty".

Andym: *All smooth returns over long periods are fraudulent; only the scale of the fraud differs. Discuss.*

Ain't that the truth. And phucking LIBOR, being the smoothest, most monotonic one is the biggest fraud of all...

The Figs Protocol.

Posted: 2008-12-12 23:45

My contention boils down to this: that making alpha is damn hard, and often messy. When some geezer brings you a chart like this one:

AndyM

Total Posts: 2336
Joined: Mar 2004

you should run a mile.

Even if they're not outright pulling it out of their asses, they're either smoothing their marks, or doing something other than what they're representing (which in this case seem: dingbat Natenberg-style strategy)

How long will they kill our profits, While we stand aside and look? Some say it's just a part of it, We've got to remark the book.

kronon

Total Posts: 176
Joined: Nov 2007

Posted: 2008-12-12 23:52

Where does the 50 billion USD number come from?

According to the indictment, its Madoffs own estimate: "losses...were at least approximately $50billion".

whatever that means. Wouldnt surprise me if it were the ramblings of a maniac; dude must of been deranged in the first place to think it would never come to an end.

"GS is a buy at 150 - its, like, picking up Dolce & Gabbana on sale"

dgtvr

Total Posts: 69
Joined: Dec 2007

Posted: 2008-12-13 01:08

An argument for how the resulting damage could be $50 billion.

How Bernie could have lost 50 billion

FDAXHunter
Founding Member

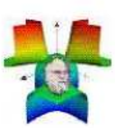
Total Posts: 8372
Joined: Mar 2004

Posted: 2008-12-13 11:23

That article is rubbish. If someone issues a leveraged certificate 3x on Fairfield Sentry, then the issuer of that certificate invests that delta (3x) into the fund. So, the AUM of Fai includes the exposure of products linked to it.

Financial journalism....

The Figs Protocol.



Nonius
Founding Member
Nonius Unbound
Total Posts: 12799
Joined: Mar 2004

Posted: 2008-12-13 16:53

you'd have to be a total fool to have material exposure to Madoff.

Chiral is Tyler Durden

KangaXX

Total Posts: 293
Joined: Mar 2005

Posted: 2008-12-15 13:56

http://ftalphaville.ft.com/blog/2008/12/15/50424/the-madoff-o-meter/

Bright, energetic people—usually quite young—have promised to perform miracles with "other people's money" since time immemorial.

mib

Total Posts: 354
Joined: Aug 2004

Posted: 2008-12-15 14:31

I think the Alphaville story gets the totals wrong: most bank exposures are via leverage to FoF, so they are double counting that.

Interestingly, FoF leverage seems to be non-recourse. A clever feature on the part of FoF; it makes leveraged FoF much less of an investor ripoff they would have been otherwis

Head of Mortality Management, Capital Structure Demolition LLC

AndyM

Total Posts: 2336
Joined: Mar 2004

Posted: 2008-12-15 16:46

A couple of thoughts about redemptions:

1) the whole house of cards fell because investors wanted $7bn back. This shows the extent of redemptions that any non-gated fund, even one with an impeccable 'track recorc these markets ($7 / $17(?) in this case).

2) given that, without the redemption request, they wouldn't have been found out, makes you wonder how many funds that have suspended redemptions are doing so to cover fraud.

How long will they kill our profits, While we stand aside and look? Some say it's just a part of it, We've got to remark the book.

NeroTulip

Total Posts: 1079
Joined: May 2004

Posted: 2008-12-15 18:17

Does anyone understand the structure of Madoff's business? He was running a broker/dealer, managing money but not in a hedge fund and not charging management fees, anc feeder funds involved... Not totally clear to me who was doing what.

Inflatable trader

Previous Thr

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